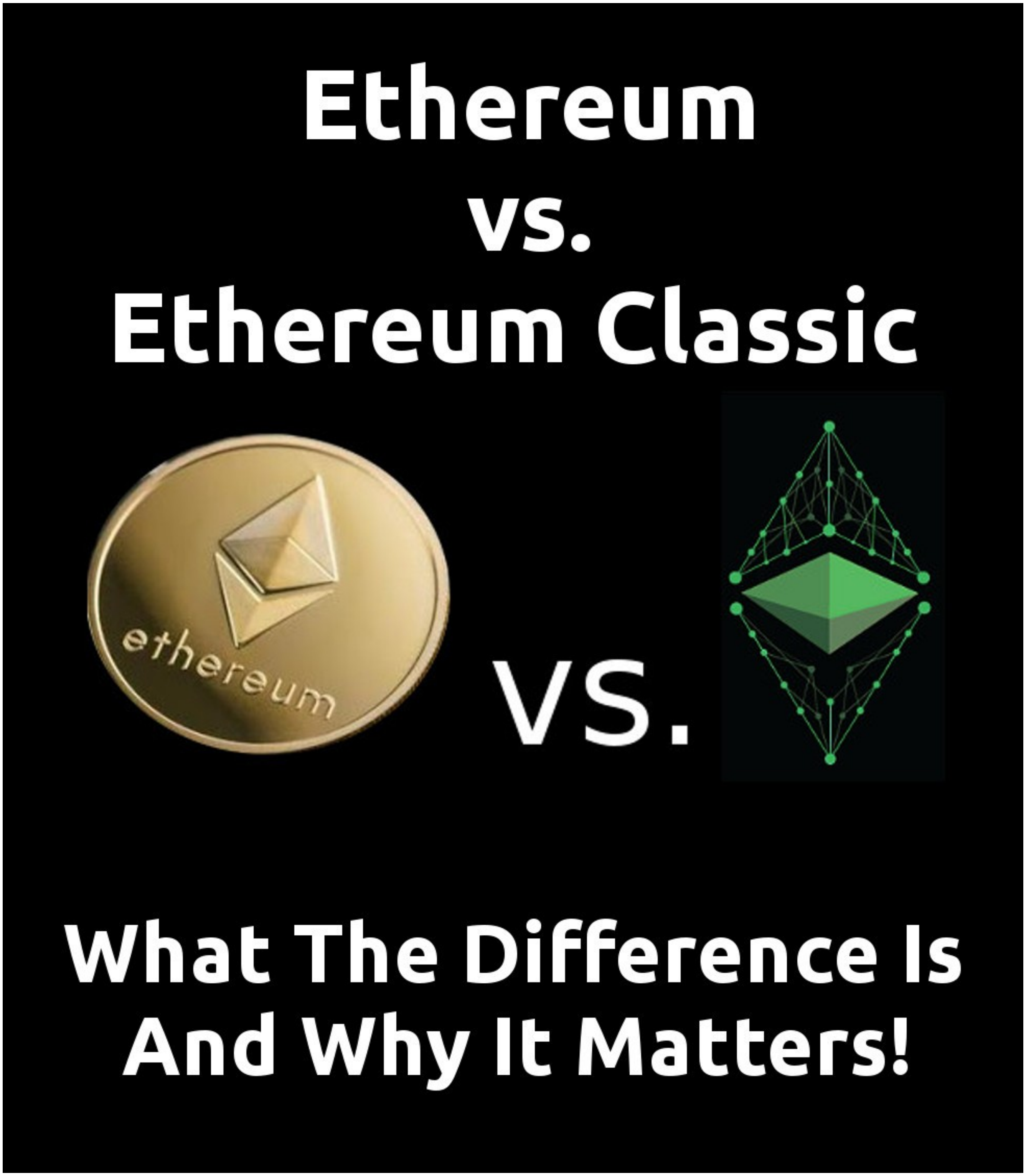

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Introduction

Keeping this deliberately simple for the tech-challenged reading this…

Both Ethereum and Ethereum Classic are platforms on which various *decentralized smart contract-based applications* (**dApps**) can be built.

A smart contract is a fully-automated contractual state stored in the blockchain (or DAG equivalent) that executes *only when certain very specific conditions are met*. Moreover, these smart contract dApps are at the very core of the entire Ethereum ecosystem.

Because these contracts are automated applications that run on the Ethereum platform, they have become very appealing for all sorts of different applications. And since they are chain-driven and controlled, they theoretically serve as truly objective and unbiased “third party enforcers” of these types of transactions.

That is, until they don’t.

Which brings us to the heart of the story:

On July 20, 2016 one of the most *chillingly disturbing events in the history of cryptocurrencies* went down; forever impacting the very core values that caused crypto to catch on in the first place. But first, a brief recap of the events that led up to this tragic abuse of community trust is in order.

A couple months prior (May 2016), a newly created Ethereum-based “venture fund” by way of a *decentralized autonomous organization* (**DAO**) was set into motion. The DAO was essentially a decentralized hedge fund of sorts for funding new dApps built on the Ethereum ecosystem.

Supposedly this was the “mother of all Ethereum dApps”. In reality, the DAO was little more that a corrupted smart contract that never should have gone public in the first place **until after** all the major bugs were thoroughly worked out first.

But I digress.

Barely a month later *the venture fund* (not Ethereum itself) was hacked to the tune of between **$50M-$70M**.

At the time, the DAO had reached ~$150M at its peak; representing a sizable percentage (~14%) of the **total amount** of Ethereum in existence. So the $50M-$70M hack represented over 1/3rd of the DAO’s initial funds stolen (~5% of ALL Ethereum at the time).

So as you can only imagine… the Ethereum Community went batshit-crazy hysterical there for awhile.

Anyhow, after the **Epically Embarrassing Ethereum Fail** in June of 2016, the Ethereum Foundation was understandably scrambling like a chicken with its head cut off trying to address the problem.

However, the *way they went about it* was **pointblank wrong**.

Simply put, a blockchain "hard fork" is when a crypto blockchain (Ethereum, in this case) is split into to two distinctly different blockchains; whereby the users of the original blockchain are completely cut off from the new blockchain (and vice-versa). More on this in a bit.

Suffice it to say that the Ethereum DAO hard fork was met with **extreme hostility** at the community level (and rightfully so; given the *heinous ramifications* of such an action).

And to be perfectly clear once again:The *Ethereum network itself was not hacked*; just the **crapware 3rd-party DAO smart contract** (which gave the hacker a highly lucrative contract code loophole).

So while the hard fork was a 'field expedient' solution to a multi-million dollar problem… **how** the whole process was handled has ugly long-term consequences for both Ethereum and the Crypto Community as a whole.

Global-Level Loss of Trust

When the hacker drained the account, the funds ended up in a "child" DAO with a 28-day hold; as per the original parent DAO smart contract. On June 24, the Ethereum Foundation incentivised miners to 'soft fork' in order to extend the hold-time on those funds (and keep the hacker from actually cashing out).

This would have been a reasonable "make the best of a bad situation" scenario… except that it was ultimately axed due to the risk of a denial-of-service attack; whereby the Foundation then began work on a hard fork to reverse the DAO transactions.

Unlike a soft fork, a hard fork is a radical change in the *core Ethereum protocol itself* that ALL stakeholders in a blockchain need to agree upon to implement.

And this is where things start to get really interesting.

Not only did everyone *not agree* with reversing the DAO funds... **many voraciously opposed it**.

As events unfolded, it rapidly became crystal clear that Ethereum:

- Had zero structure in place for settling these differences,
- No official voting mechanism/forum for hashing them out,
- And decisions were being made on the fly *by the few who straight up sabotaged the many*.

Hence the broader Ethereum community was *rudely awakened* to the **stone-cold reality** that the Ethereum Foundation (and its core developers) were the ones holding all the cards, and performing sleight-of-hand card tricks.

Moreover, the *conflicts of interest* were also crystal clear: The DAO was founded by former Ethereum developers, and several people in the Ethereum Foundation owned significant quantities of DAO tokens. But wait, it gets even filthier!

Stakeholders Were Stiffed

On July 15 the Ethereum Foundation turned to an ad hoc polling tool called Carbonvote (created after the DAO hack) in order to get the votes needed to push a hard fork through; whereby holders were given one vote per Ether they held.

However, many alarming questions immediately arose concerning the snakiness of how the vote was handled:

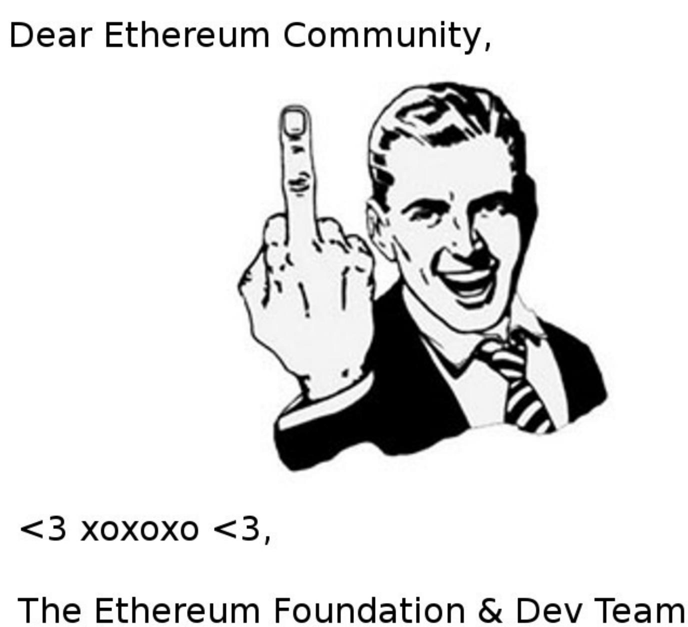
- Voters had *practically no time to vote* (the voting window closed in ~12 hours).

- Very few qualified voters *even knew about the vote* (outside of a single blog post, it was only very briefly publicized on Twitter and Reddit at the last minute).

- There was nowhere close to enough informed voters to make it a **legitimate vote** (due to *lack of proper publicity lead time* on such a critical issue, only a micro-percentage of qualified Ether holders actually voted).

- Carbonvote wasn't even a legit voting tool to begin with (Ethereum founder Vitalik Buterin himself commented on its dubious nature, calling it an "informal signaling tool to see which way the wind is blowing").

Bottom Line: The Ethereum Foundation and core developers ignored the Best Interests of both the stakeholders and the overall community to push forward their own narcissistic agenda: "**Fork you!**"



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Hard Forks Of This Nature Are Detrimental At Best

The plan was to coerce everyone to switch over to the new Ethereum (ETH) protocol and dump the old Ethereum Classic (ETC) blockchain.

As it turns out, several miners, developers and stakeholders stayed ‘true blue’ to the mother chain. Two years after the heinous hard fork coup, Ethereum Classic is **still holding its own** within the top 20 on CoinMarketCap!

But I digress.

Anyhow, a few months after the DAO fork, both Ethereum and Ethereum Classic were savagely brutalized by sustained denial-of-service attacks; and both cryptocurrencies followed up with subsequent forks to fix the security problems.

Consequently, hard forks are becoming an accepted way of life for *not only* both Ethereum blockchains... but the greater crypto sphere as a whole (such as we saw with Jelurida and the whole NXT/Ardor/Ignis fiasco – a gruesome story for another time).

This is a **very dangerous trend** indeed.

Hard forks weaken a network, stall future growth, cast shadows of doubt, and amplify division and strife across the overall Crypto Community. The process of evolving a decentralized cryptocoin protocol needs to happen in an agreed-upon manner; whereby stakeholders and core developers aren’t at odds with each other:

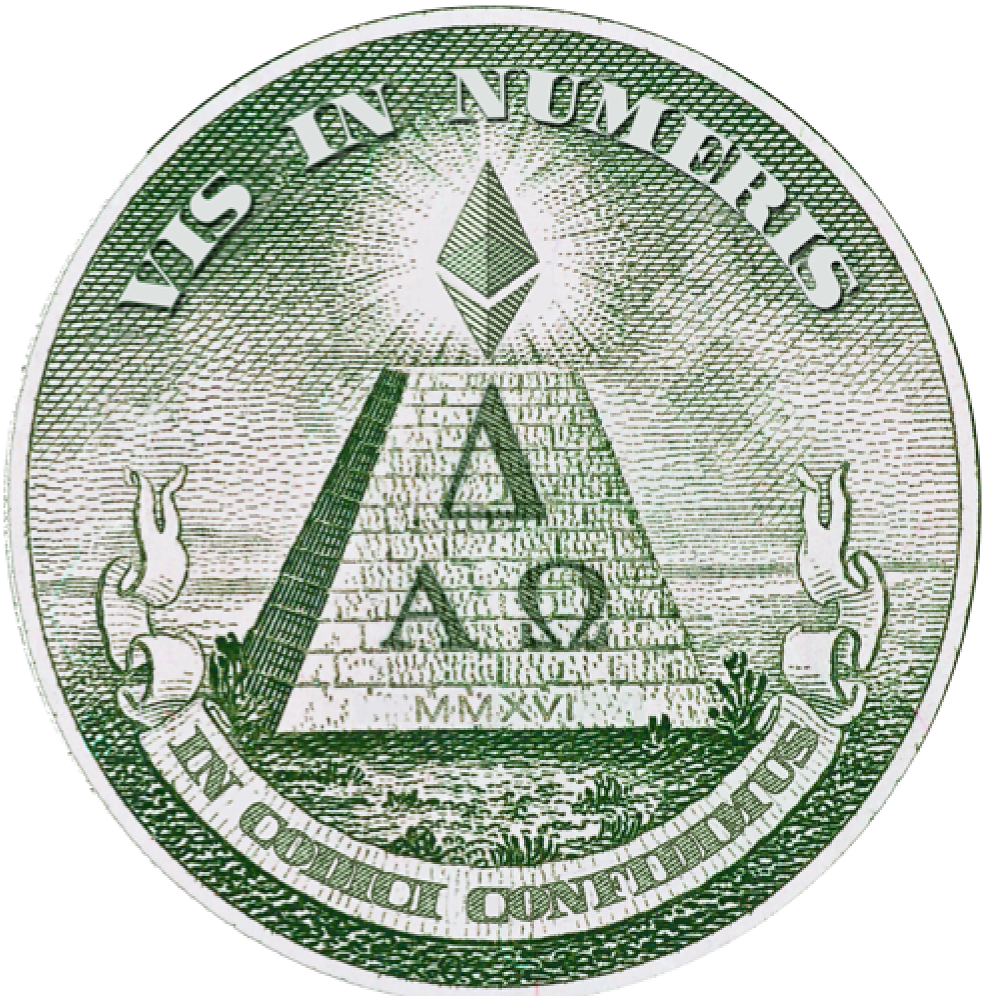
- All parties have a right to know **beforehand** how issues will be resolved.
- Future cryptocurrencies need *built-in governance systems*.
- As part of that governance system, blockchains also need a **testnet**, so stakeholders *can review protocol changes before implementing them*.
- And to the absolute greatest extent possible, major decisions need to happen on-chain; not on Reddit or Twitter via some dubious off-site polling tool in a snakey sleight-of-hand manner.
- Ultimately, whatever upgrades happen on-chain or off, the decision-making process needs to be clear, accountable and decentralized.

Sadly, the post-DAO Ethereum fork was none of these; because the new Ethereum is **definitely not** decentralized as we’re about to see...

The Ideological Split

Every new cryptocurrency/hard fork is a *direct reflection of its governing ideology* (and the community backing said ideology thereof)

So to get a better appreciation of just how dark and sinister the whole Ethereum fiasco actually is, it's important to understand that the new Ethereum protocol (ETH) has nothing to do with decentralization and everything to do with a proprietary New World Order "blackbox" mindset that wants absolute and complete control-freak power over everything.



For example, the **Ethereum Alliance** consists of billion-dollar firms such as Accenture, JP Morgan, Microsoft, and UBS. Hence the ideological differences between the Ethereum and Ethereum Classic communities are parallel to the idealogical differences between the **Sith and Jedi.**

Ideologies are what attract communities, and it's the community support behind a cryptocurrency that ultimately determines its long-term survival/value.

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The Correct Solution: The “code is law” immutable blockchain approach was the ‘Tenet of Trust’ core essence that attracted Ethereum believers in the first place. Conversely, *there is simply no excuse* for crappy code pushed out much faster than it should have been; all in the name of ‘Great God Greed’.

Ethereum investors are inherently aware of the risks involved with cryptocurrencies, and should have ‘taken their beating’ accordingly. It’s strangely reminiscent of the bogus S&L bailouts of the 80’s…

But I digress.

The sheer irony of the whole Ethereum fiasco is that Ethereum was first created as a **stance against financial corruption.** The immutable blockchain was meant to be *free from this type of human tampering*.

In other words, things that happen on the Ethereum blockchain were “supposed” to be immutable; never changing regardless of the outcome of some 3rd party dApp. And for good reason: Doing a hard fork (the way this one was done) is *straight-up censorship in the worst sort of way*.

Furthermore:

- Ethereum Foundation (EF) developers centrally pre-mined 70% of all coins.

- EF devs were among the most heavily-vested investors in the DAO; thus had to justify their bad dApp code with their own private “bail-out party”; most of which refused to publicly disclose if they were involved (had to be discovered through due diligence; making the hard fork all the more sinister).

- EF devs were using the new coins to damage parent chain ETC’s value; whereby *not letting the market decide independently* (and making it incredibly unprofitable to dissent from them).

- EF devs were holding centralized funding raised from ICO hostage; whereby refusing to use it to fund the new chain *without the bailout of their money* (meaning parent chain had no future EF funding/support, no matter what).

- EF devs sabotaged *default settings in the wallet client* after giving only 12 hours notice on official vote to update.

- 1/3 of the vote to bail out came from **a single account**. Only ~4% total actually voted for it. EF internally decided that was enough to change settings; figuring that auto-updating node operators wouldn't even notice the bait and switch over to the bailout chain.

- They severely punished anyone attempting to opt out of the new chain using coercive methods that made it largely unsavory to do so.

- They lied to exchanges to keep the name; meaning the parent chain had no name or market or market value for days.

- Parent chain ETC was at near 1/2 of hash power and 1/2 of TX counts when EF decided to refuse its support at all costs; whereby cutting off any last minute options to disagree with them.

- Child chain ETH is highly centralized, unethical, and lead by some of the dirtiest rotten-to-the-core people imaginable in crypto; once again proving that 70% pre-mine guarantees absolute centralization.

- Not a single dApp or decentralized TX is possible on Ethereum, forever known as "chain of liars and thieves"

Check out /r/ethereumfraud for hundreds of testimonies corroborating all of this (also scope out the Ethereum obituaries and the Ethereum Energy Consumption Index for a deeper perspective as to Ethereum's hideousness).

Moral: *The outcome of the DAO hack permanently cast a dark shadow over the entire Crypto Community as a whole*. Because once you manipulate a cryptocurrency ecosystem **for whatever reason** (particularly one as limp as the Ethereum fiasco)… what's stopping it from happening again, and again, and again?!

In other words, by **removing** the #1 most sacred feature of the blockchain **– immutability** - what you end up with is a glorified new world order 'Good Ol' Boys Club' with **zero integrity**.

Moreover, now that the true agenda of the Ethereum Foundation and Alliance is out in plain sight, this new Ethereum protocol is *now at par with fiat-money institutions*: "When yo money's in the bank, the bank owns yo money."

Conversely, the genuine Ethereum Classic Loyalists have demonstrated amazing community spirit in not only just keeping Ethereum Classic alive – and it's still in the CoinMarketCap top twenty to this day; whereby preserving the integrity of what Ethereum was meant to be from day one.

So the question we really need to be asking ourselves: "What is the future of ANY crypto or fiat currency without trust?!"

H/T to Bitcoin Magazine, CryptoCompare.com and CoinCentral.com; all of which were paramount in the researching of this report.

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